

## 2.11 Establishing an aquaculture industry in the Chatham Islands – Feasibility and Business Case

<b>Project:</b>	Establishing an aquaculture industry in the Chatham Islands – Feasibility and Business Case		<b>FOR:</b> Approval
<b>Applicant:</b>	Abalone Resources Limited		<b>Pipedrive ID:</b> <span>Commercial</span>
<b>Application type:</b>	Main PGF	<b>(A) Total Project Value:</b>	\$ <span>Commercial Information</span>
<b>Funding type:</b>	Grant	<b>(B) PGF Funding Sought:</b>	\$ <span>Commercial Informa</span>
<b>Entity Type:</b>	Company	<b>(C) PGF Funding Recommended:</b>	\$490,000
<b>Region:</b>	Canterbury	<b>(D) Applicant Contribution:</b>	\$ <span>Com</span>
<b>Tier:</b>	2 - Sectors	<b>(D/A) Co-contribution Rate:</b>	<span>Commercia</span>
<b>Sector:</b>	Aquaculture		
<b>Application summary:</b>	<p>Abalone resources Limited as applied for finding to produce a business case to develop an aquaculture industry on the Chatham islands focused on shellfish and premium small goods seafood. <span>Commercial Information</span></p> <p>PGF funding is required due to the constraint of capital in the local economy and the need for an initial government investment and business case to encourage private investment to enable what is a new industry for the Chatham Islands.</p> <p><b><i>[Please see full project description in the Application Description Section]</i></b></p>		

### The PDU recommends that: this Application be supported by the IAP

**Agree to** approve up to \$490,000 grant from the PGF towards a business case to establish a shellfish aquaculture industry on the Chatham Islands

➤ because:

- the business case is a necessary step towards the development of an aquaculture industry it will create Commercial Inf jobs per aquaculture farm on an island with a total population of 600 people
- the project will assist with the development of an aquaculture industry
- it is supported by local imi/iwi, Chatham Islands Council and Chatham Islands Enterprise Trust
- key stakeholders have over forty years of establishment and experience in the local seafood industry
- there is potential to better utilise Maori assets from the outcomes of the business case
- there is potential to improve food security and enhance biodiversity through the development of an aquaculture industry

- subject to:
  - A full scoping of the project incorporating recommendations from Ministry of Primary Industries
  - Due Diligence being completed on prospective suppliers of professional services prior to being contracted
  - The final business case being available to industry
  
- Note:
  - While the applicant is a private sector firm, it is undertaking a project that will benefit the Chatham Islands economy, and the Council is not in a position to fund this business case
  - the proposal is supported by Ministry of Primary Industries
  - [Redacted] Commercial Information [Redacted]
  - [Redacted] Commercial Information [Redacted]
  - [Redacted] Commercial Information [Redacted]

Section A: Triage – Assessment against PGF eligibility criteria	
➤ Is the project an illegal activity?	<b>No</b>
➤ Is the project located in the three main metropolitan areas?	<b>No</b>
➤ Is the project seeking investment in large scale infrastructure of social assets?	<b>No</b>
➤ Is the project seeking investment for three waters?	<b>No</b>

## Application description

### Background

The application is led by Abalone Resources Limited, an aquaculture company based on the Chatham Islands which  
Commercial Information

The application is for development of a business case to enable private investment in the development of an aquaculture industry for the Chatham islands.  
Commercial Information

The Chatham Islands economy is severely constrained by a lack of capital, resources and expertise, and the community is isolated from mainland New Zealand through both distance and a lack of infrastructure.  
Commercial Information

Commercial Information

Commercial Information

and the analysis of this application recognises the Chatham's unique limitations in seeking private investment for economic development opportunities.

Commercial Information

### Abalone Resources Limited

Abalone resources Limited is owned by Pita Thomas, who has been involved in the fishing industry for more than forty years.  
Privacy of natural persons

### Analysis

We consider that the development of a business case for the establishment of an aquaculture industry on the Chatham Islands has the potential lead to increases in productivity and creation of jobs and training opportunities. The application has strong support from local imi/iwi, the Chatham Islands Council, and the Chatham Islands Enterprise Trust.

The primary industries on the Chathams are fishing, farming and tourism. The fishing industry alone contributes 30 percent of jobs in the community and \$Commerc per annum to the local economy.  
Commercial Information

The  
business case will help facilitate private sector funding required for further expansion (including utilisation of Maori

assets). That expansion will see a substantial increase in productivity and job numbers on the Chatham Islands relative to the size of the community and economy.

Additionally, the establishment of an aquaculture industry on the Chatham Islands will be able to take advantage of its isolation to sustainably produce products that may be susceptible to disease on mainland New Zealand (for example, Bluff Oysters) and can contribute to sustainable commercial practices at a national scale.

Ministry of Primary Industries supports the application and notes that there is strong alignment with the government Aquaculture Strategy to 2025.

### Overseas Investment Office

- |   |    |
|---|----|
| ➤ Is the application being made by a non-New Zealand based legal entity? (Foreign investment laws may apply and the Overseas Investment Office consulted) | No |
|---|----|

Does the Application have a Te Ara Mahi (TAM) component?	No
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### Section B: Operational Assessment Criteria (Complete for EoIs and Applications)

*(Rate and comment – 1= poor, 5 = very good - Provide the number for this project, not subsequent phases)*

#### Fund and government outcomes

Please highlight number below

#### Would the project:

➤ create permanent jobs?	<p>Commercial Information</p> <p>This project will create new jobs and career opportunities for the community with expansion for the aquaculture industry and addition of more farms.</p>	Commercial Information
➤ deliver community benefits?	Delivers economic and social benefits through job creation and consistent career pathways for the community.	Commercial Information
➤ increase utilisation of and returns on Maori assets?	Direct involvement of Maori owned assets and opportunity to enable more development.	Commercial Information
➤ enhance the sustainability of natural assets?	Assists the sustainability of the local fisheries by increasing supply of seafood and providing suitable stock through the hatchery, including supplying other areas in New Zealand.	Commercial Information
➤ mitigate climate	Potential to counter the loss of fish species, and utilise its	Commercial Information

change effects, or assist with the lowering of emissions?	isolation to produce stock for other areas of New Zealand.	
<b>Additionality</b>		
<b>Would the project:</b>		
➤ add value by building on what is already there, without duplicating effort?	Build on the existing fishing industry on the Chatham Islands and complement existing infrastructure. Commercial Information [Redacted]	Commercial Information
➤ be a catalyst for productivity potential in the region?	Commercial Information [Redacted] the development of an industry business case will provide confidence for investment in the region.	Commercial Information
<b>Connected to regional stakeholders and frameworks</b>		
<b>Does the project:</b>		
➤ align with regional priorities, such as frameworks, or regional plans?	The project aligns with the Chatham Islands Investment Strategy	Commercial Information
➤ have the support of local governance groups (councils, iwi and hapu)?	Has the support of local iwi/imi, the Chatham Island's Council and the Chatham Islands Enterprise Trust	Commercial Information
<b>Governance, risk and project execution</b>		
<b>Does the application show:</b>		
➤ robust project management and governance systems?	The applicant has considerable experience in the industry and has included a major stakeholder in the structure in an advisory role.  A project plan will be produced in consultation with key stakeholders (local council, iwi/imi, MPI, Chatham Islands Enterprise Trust), and key indicators reported on monthly to a project steering group. Privacy of natural persons [Redacted] (project director) have worked on substantial local government and central government projects, including anchor projects in Christchurch.	Commercial Information

<p>➤ plans for future ownership and operational management?</p>	<p>If the business case process demonstrates the commercial and technical viability of a shellfish industry, it is the intention of abalone Resources, and their partners, to develop further farms from the one they are applying for funding for (additional to this application) and develop a premium seafood brand.</p>	<p>Commercial Information</p>
<p>➤ how the project will be delivered and managed?</p>	<p>There are five key milestones of the project that need to for which funding will be provided:</p> <ul style="list-style-type: none"> <li>• initial payment on signature of a funding agreement and delivery of a start-up report (\$ <small>Commercial Informa</small>)</li> <li>• Environmental constraints modelling (\$ <small>Commercial Informatio</small>)</li> <li>• Options analysis (\$ <small>Commercial Informatio</small>)</li> <li>• Draft Business Case (\$ <small>Commercial Informa</small>)</li> <li>• Upon completion of final Report (\$ <small>Commercial Informa</small>)</li> </ul>	<p>Commercial Information</p>

Section C: Risk Management Evaluation			
Does this application demonstrate consideration of the following risks?			Yes
Type of risk	Risk description	Mitigations	Risk Rating
<input checked="" type="checkbox"/> Project risk	Is the project feasible? Can it be delivered on time, on budget and to specification?	Key personal involved in the project planning and delivery are highly experienced in the industry	Commercial Information
<input checked="" type="checkbox"/> Operational risk	Will the project or asset operate to specification, to budget, and achieve the forecast revenue?	Key personal involved are highly experienced in the industry, and detailed project scope and management has been undertaken.	Commercial Information
<input checked="" type="checkbox"/> Macroeconomic risk	Has the impact of possible external economic changes been considered?	The project will be structured to investigate risks of biosecurity and food supply at the early stages. Project will be terminated if findings show a fatal flaw in the proposal.	Commercial Information
<b><i>If the answers to the first question is NO, or assessments of risk(s) are HIGH, discuss with an Investment Director.</i></b>			

Section D: Funding and financial analysis		Please highlight number below
<b>Does the application show:</b>		
➤ How strong is the financial position of the applicant organisation?	Abalone Resources Limited is owned by Waitangi Seafoods Limited, which successfully operates several seafood processing facilities on the Chatham islands. Commercial Information	Commercial Information
➤ How does the scale of the project compare to their overall business?	Commercial Information Waitangi Seafoods Limited, which owns Abalone Resources Limited, operates several seafood processing facilities on the Islands.	Commercial Information

<p>➤ Why is Crown funding being sought rather than commercially-available funding?</p>	<p>The Chatham Islands economy is constrained by a lack of capital, resources and capability. It is also impacted by the high costs associated with the isolation of the Chatham Islands (i.e transport costs). Public funding is also constrained, and private investment is restricted.</p>	<p>Commercial Information</p>
<p>➤ What does the independent financial analysis/ business case indicate?</p>	<p>The Chatham Islands Council Sustainability Report (2017) showed that fishing employs accounts for 30 percent of Chatham Islands employment and contributes \$<sup>Commercial Information</sup> to the local economy. Abalone Resources Limited expects to employ <sup>Comm</sup> people for an additional aquaculture farm, and contribute an additional \$<sup>Com</sup> per annum to the local economy.</p>	<p>Commercial Information</p>
<p>➤ Is the funding model requested appropriate? Is the PDU recommending a different model?</p>	<p>The grant will allow the viability of the expansion of the aquaculture industry to be validated, spurring further private investment.</p>	<p>Commercial Information</p>
<p>➤ Has the applicant provided evidence of market pull for this project?</p>	<p>The business case will establish the parameters of industry expansion. <sup>Commercial Information</sup></p> <p>The potential is stunted by the lack of expansion and strengthening of the airport, which would enable more product to be moved off the Islands through transport capacity increases, but the current airport situation is still enough to ensure a cost-effective aquaculture industry.</p>	<p>Commercial Information</p>
<p>➤ Has the applicant provided evidence that their supply chain is secure?</p>	<p>The applicant's relationship with <sup>Commercial Information</sup> provides sufficient reassurance of their supply chain security.</p>	<p>Commercial Information</p>
<p><b>Summary of funding and financial analysis:</b></p>	<p>The applicant has demonstrated the ability to scale up on the back of the business case findings, should they demonstrate the viability of an expanded aquaculture industry. This would add significantly to the local economy, increasing jobs and training opportunities.</p>	<p>Commercial Information</p>



<b>Funding arrangements</b>	
The funding arrangements are based on a milestone plan.	
<b>Proposed Term Sheet Summary (noting full term sheet will be developed post decision)</b>	
Is the application a Grant or Loan?	<b>Grant - Loan Details Table deleted</b>

<b>Consultation from partner agencies undertaken or implications</b>	
Ministry of Primary Industries supports the proposal subject to a full scoping of the project prior to obtaining quotations, and due diligence being undertaken on prospective suppliers of professional services prior to the project being contracted.	
<b>Conflicts of interest and T&amp;Cs</b>	<b>No - Section deleted</b>
<b>Further information from applicant</b>	<b>No - Section deleted</b>

**Summary statement of Application Review undertaken**

The following Review has taken place in connection with this application:

All applications are discussed between the Regions Team and Investment Team during the assessment process and prior to submission to SROs / IAP.

Consultation with the relevant partner agencies has occurred allowing them to provide any relevant technical advice with any feedback included verbatim within this application form.

In the development of this form:

- i. A review by an Investment Director has taken place and included the following to the satisfaction of the reviewer:
  - a. An evaluation against the PGF criteria;
  - b. Financial analysis;
  - c. A risk assessment, highlighting any relevant or key risks;
  - d. Conflicts of interest have been noted and accepted and the reviewer concurs with the recommendation proposed.
- ii. The Head of Investment has reviewed this recommendation.
- iii. This application has been reviewed by the PDU SLT.

Review has been completed

Yes

**Supporting proposal:**

Yes

**Appendices:**

Yes – Applications and supporting letters are as annexes [Supporting letters withheld - Commercial Information](#)

**Author of paper:**

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